

Message Text

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PAGE 01 TOKYO 03540 031212Z
ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-10 NEA-10 NSAE-00
USIA-06 OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01
AGRE-00 OMB-01 SS-15 /105 W
-----103042 040344Z /65

R 030940Z MAR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 5811
INFO AMEMBASSY ANKARA
AMEMBASSY ATHENS
AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
USMISSION GENEVA
AMEMBASSY HELSINKI
AMEMBASSY LISBON
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY MADRID
UDKSNQ/AMEMBASSY OSLO 404
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY REYKJAVIK
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY THE HAGUE
AMEMBASSY VIENNA
AMEMBASSY WELLINGTON

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USEEC ALSO FOR AMEMBASSY
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PAGE 02 TOKYO 03540 031212Z

USMTN
USOECD ALSO FOR AMEMBASSY

E.O. 11652: NA
TAGS: EGEN, ETRD, JA, US
SUBJECT: JAPANESE REACTION TO OECD/EPC MEETING

1. NEWS COMING OUT OF THE RECENT TWO-DAY MEETING OF OECD'S ECONOMIC POLICY COMMITTEE THAT THE INDUSTRIALIZED COUNTRIES HAVE DECIDED TO SCRAP THE SO-CALLED "LOCOMOTIVE THEORY" IN FAVOR OF SPREADING RESPONSIBILITY FOR ECONOMIC EXPANSION MORE EVENLY AMONG THE OECD CAPITALS HAS RECEIVED MODERATE PRESS PLAY HERE THUS FAR BUT THE SIGNIFICANCE CANNOT HAVE BEEN LOST ON THE JAPANESE.

2. IN FACT, THE ANNOUNCEMENT MESHES WELL WITH THE THEME TAKEN BY MINISTER OF STATE, USHIBA WHO, IN THE LAST FEW WEEKS, HAS BEEN STRESSING THE IMPORTANCE OF THE FY-78 \$6 BILLION CURRENT ACCOUNT TARGET OVER ACHIEVING SEVEN PERCENT GROWTH. WHILE MAKING THAT POINT AT A TALK BEFORE THE FOREIGN PRESS CORPS ON FEB. 27 (TOKYO 3193); USHIBA, HOWEVER, WAS ALSO CAREFUL TO EXPRESS CONFIDENCE IN THE GOVERNMENT'S ABILITY TO MAKE THE FY-78 GROWTH TARGET. WE DO NOT EXPECT LEADERS TO RELAX PUBLICLY ON THE 7 PERCENT COMMITMENT-INTERNATIONAL AND PARTICULARLY DOMESTIC CONSIDERATIONS STILL MAKE IT IMPORTANT TO COME AS CLOSE AS POSSIBLE - BUT THE OECD ANNOUNCEMENT MUST BE GREETED WITH A MEASURE OF REASSURANCE HERE AS PREPARATIONS FOR THE FUKUDA-CARTER SUMMIT IN MAY GET UNDER WAY.

3. UNLESS THE ECONOMY BEGINS TO RESPOND, TREATMENT LIMITED OFFICIAL USE

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PAGE 03 TOKYO 03540 031212Z

OF THE GROWTH ISSUE WILL CONTINUE TO BE A TRICKY DOMESTIC TOPIC FOR THE PRIME MINISTER AS THE STRUGGLE FOR PARTY LEADERSHIP WARMS UP OVER THE NEXT FEW MONTHS. FUKUDA'S OPPONENTS CAN BE EXPECTED TO USE THE 7 PERCENT "COMMITMENT" TO QUESTION THE PRIME MINISTER'S ABILITY TO PROVIDE ECONOMIC LEADERSHIP SHOULD THE RECOVERY CONTINUE SLUGGISH. THE WASHINGTON SUMMIT PROVIDES AN IMPORTANT OPPORTUNITY FOR THE PRIME MINISTER, HOWEVER, AND EVIDENCE IS BEGINNING TO EMERGE THAT FUKUDA WANTS TO BE IN POSITION BY MAY TO CONVINCE THE PRESIDENT THAT THE \$6 BILLION CURRENT ACCOUNT TARGET IS ACHIEVABLE.
MANSFIELD

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